I B T C

INDEPENDENT BANKERS TRUST COMPANY

1108 Fifth Avenue P. O. Box 1440 San Rafael, CA 94902 (415) 456-8000

March 18, 1976

Ms. Andrea Sharp, Treasurer
POINT
P.O. Box 428
Sausalito, CA 94965

MA #146 POINT

Dear Ms. Sharp:

At long last we have received the stock certificate for 30,000 shares ZOMEWORKS CORPORATION. This concludes all assets transferred to you, and enclosed is said certificate dated February 25, 1976 number 49, registered in the name of POINT.

Also enclosed is various correspondence we received relating to the company. We thought you would also want this information.

Would you please acknowledge receipt of the above by signing the tissue copy of this letter, and return in the self addressed envelope provided.

It has been a pleasure serving Point and if there is anything we can do, please do not hesitate to call.

Sincerely,

R D Hageman

R.D. Hageman
Assistant Trust Officer

RDH:cf
Enclosures

ZOMEWORKS CORPORATION

P. O. Box 712
Albuquerque, New Mexico 87103

Phone (505) 242-5354

P#146

30 January 1976

Dear Stockholders;

We lost money again during 1975. If you look carefully at the accountant's report, you will see that much of this is the result of amortizing old research costs. Our business did increase dramatically during 1975 and seems to be continuing to pick up so far in 1976. For us to be profitable, we need to do more than $100,000.00 of jobs in the shop, or strike it rich with a license arrangement to another larger company.

We've discussed a licensing arrangement with the Kalwall Corporation(they sell fiberglass wall sections) for our beadwall system, but nothing has come of it. We also discussed licensing the Design Craft furniture company of New Jersey to build skylids.(This same company backed Zomeworks for $6,000.00 in research on a simple solar powered engine. We built a successful model, but have stopped for lack of funds.)

Our biggest job of 1975 was the solar heating for the Aspen Airport Terminal in Colorado. We installed 750ft^2 of beadwall panels and 1750ft^2 of skylids. We look forward to considerable publicity about this successful job in 1976.

Our problem has been to develop useful products that people can afford. Most solar energy products are too expensive to make sense. Even our skylids and beadwall are expensive. In an effort to lower the cost, we are now selling the freon-filled cannisters which power the skylids separately so that people can make their own louvers. During 1975, we also sold beadboard panels with magnetic clips that can be attached directly to windows. This is a very inexpensive way of cutting fuel costs, but so far our sales have been small.

The most crucial element in using the sun is not any kind of new hardware, but rather knowledge about the sun and heat. In addition to consulting, this year we are offering a class at Zomeworks (during March) about solar energy.

We are replacing a number of plastic solar water heaters that we installed last spring. This fiasco cost research money last year and replacement costs this year.

I am sorry to say that our Vice-President, Dick Henry, quit Zomeworks last spring.

We have published Sunspots, a book about solar energy. It is selling well at local book stores, but slowly through the distributors. It seems certain that the book will be profitable.

We received a $1,000.00 grant from Grace Parr of Taos to study air loop rock-storage systems.

Where does Zomeworks fit in with all the Federal money now going to Solar Energy?

I received 9 volumes of testimony from Senator Gaylord Nelson about Energy Research and Development and Small Businesses. Some of our work - and The National Science Foundation's dismissal of its importance - is discussed in the very first chapter of the volumes. It is horrifying to read how they have steered almost all of the research money to large corporations who have produced very little of value with it.

Our dealings with the NSF and now ERDA have left me with little confidence in their ability to promote the use of solar energy. My feeling is that Zomeworks should continue to deal directly with the public - selling hardware, consulting, and now our month-long school. It seems to me to be a more healthy and productive activity than filling out forms and politicking for grants.

On the brighter side, Zomeworks is getting before the public eye. David Harrison's Beadwall paper was published in the "Solar Energy Journal". "Building Systems Design" magazine did articles on the beadwall and skylids. Zomeworks was written-up in "The Smithsonian Magazine", and a Swedish book, Byggande Energi Och Ekologi , devoted 10 pages to Zomeworks. I lectured for Goddard, Pratt, and Sun School(Albuquerque). The Spring '76 issues of the "National Geographic" and "Fortune" magazines will contain articles about solar energy which will include mention of Zomeworks' products. Los Alamos Scientific Laboratories did a paper on the excellence of passive systems and specifically mentioned the beadwall. These articles generate hundreds of information requests, which in turn generate most of our Solar Publications business and income.

Sincerely,

Steve Baer

Steve Baer, President
Zomeworks Corporation

ZOMEWORKS CORPORATION

FINANCIAL STATEMENTS

OCTOBER 31, 1975

(UNAUDITED)

Prepared by

Michael S. Elliston
PO Box 596
Corrales, New Mexico
87048

ZOMEWORKS CORPORATION
BALANCE SHEET
OCTOBER 31, 1975 and 1974
(UNAUDITED)

ASSETS		1975	(RESTATED) 1974
CURRENT ASSETS:			
Cash	$	12,347	2,046
Accounts Receivable, Trade		9,223	11,755
Due from Employees		253	
Production Inventory			
Raw Materials		2,255	4,456
Work in Progress			2,660
Finished Goods		5,681	5,917
Solar Publications Inventory		3,008	297
Zome Primer Inventory		111	164
Unbilled Costs (Aspen Air Terminal Contract)		3,822	
Other Current Assets		77	28
Total Current Assets		36,777	27,323
PROPERTY ACCOUNTS (AT COST):			
Machinery and Tools		14,866	14,438
Office Equipment		3,029	2,363
Library		537	457
Total		18,432	17,258
Less Accumulated Depreciation		9,206	7,398
Net Property Accounts		9,226	9,860
DEFERRED CHARGES: (Net of amortization, if any; accumulated amortization in brackets):			
Organization costs (1975-$613; 1974-$601)			12
Leasehold improvements (1975-$585; 1974-$582)		34	
Patent Costs (1975-$4,939; 1974-$2,508)		36,401	14,391
Research and Development Costs:			
Projects in Progress		6,242	
Solar Products Development (1975-$295)		3,068	
Solar Publications Development (1975-$949; 1974-$265)		3,241	2,385
Climbers (1975-$7,126; 1974-$5,345)		1,782	3,563
Structural (1975-$10,683; 1974-$8,012)		2,671	5,342
Zome Primer Development (1975-$922; 1974-$692)		231	461
Zometoys (1975-$660; 1974-$495)		165	330
Solar Research (1975-$2,848)		11,390	37,022
Total Deferred Charges		65,225	63,506
Total Assets	$	111,228	100,689

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
BALANCE SHEET
OCTOBER 31, 1975 and 1974
(UNAUDITED)

LIABILITIES AND CAPITAL	1975	(RESTATED) 1974
CURRENT LIABILITIES:		
Notes payable, Bank of New Mexico, secured by Aspen Air Terminal contract	$ 11,900	
Notes payable, Elliston, unsecured, current portion	2,122	
Notes payable, T.J. Wagner, unsecured		2,959
Accounts payable, Trade	10,653	6,727
Customer deposits	400	200
Accrued liabilities:		
Taxes	687	820
Interest	2,010	1,478
Salaries, officers	13,422	4,400
Total current liabilities	41,194	16,584
OTHER LIABILITIES:		
Notes payable, Elliston, unsecured, long term portion	2,122	
Notes payable, officers	17,674	18,061
Total other liabilities	19,796	18,061
Total Liabilities	60,990	34,645
CAPITAL:		
Contributed capital-		
Common stock authorized 1,500,000 shares, $.05 par value each; issued and outstanding 1,006,010.5	50,301	50,301
Paid in capital	137,597	137,597
Retained earnings (deficit) - see Statement of Retained Earnings	[130,660]	[114,854]
Total	57,238	73,044
Less 180,000 shares of treasury stock at cost	7,000	7,000
Total capital	50,238	66,044
Total Liabilities and Capital	$ 111,228	100,689

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
STATEMENT OF NET INCOME AND RETAINED EARNINGS
FOR THE FISCAL YEARS ENDED OCTOBER 31, 1975 AND 1974
(UNAUDITED)

	1975	(RESTATED) 1974
INCOME:		
Sales, less sales discounts	$ 67,915	48,091
Miscellaneous income	770	602
Total income	68,685	48,693
COST OF SALES:		
Materials and related freight costs	27,940	16,450
Direct labor	12,875	12,287
Subcontractors	666	875
Royalties paid	444	40
Other direct costs	3,611	
Applied shop costs	5,927	5,531
Total cost of goods sold	51,463	35,183
GROSS PROFIT ON SALES:	17,222	13,510
OPERATING EXPENSES:		
Accounting and legal	1,891	1,649
Advertising	1,538	763
Bad debts	625	
Depreciation and amortization	11,565	6,509
Insurance	625	637
Interest	614	733
Rent	1,680	1,680
Salaries, officers	6,321	4,610
Salaries, other	3,384	2,169
Supplies and postage	2,218	1,868
Taxes, payroll and other	2,431	2,826
Telephone	1,143	1,506
Travel	367	1,144
Utilities	518	697
Research and Development costs, abandoned projects	862	
Total	35,782	26,791
Less reimbursed overhead expenses	2,754	
Total operating expenses	33,028	26,791
NET INCOME [LOSS] TO RETAINED EARNINGS	$ [15,806]	[13,281]

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
STATEMENT OF NET INCOME AND RETAINED EARNINGS
FOR FISCAL YEARS ENDED OCTOBER 31, 1975 AND 1974
(UNAUDITED)

		1975	(RESTATED) 1974
RETAINED EARNINGS [DEFICIT] October 31, 1974 and 1973	$	[114,854]	[101,573]
NET INCOME [LOSS]		[15,806]	[13,281]
RETAINED EARNINGS [DEFICIT] OCTOBER 31, 1975 and 1974	$	[130,660]	[114,854]
NET LOSS PER SHARE OF COMMON STOCK	$	[.0157]	[.0132]

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
INCOME CONTRIBUTION BY SALES ACCOUNTS
FOR FISCAL YEARS ENDED OCTOBER 31, 1975 AND 1974

	Sales	%	Gross Profit	%
SALES ACCOUNT:				
Solar Publications	$ 12,711	18.6	$ 5,578	32.4
Consulting and Design	6,898	10.0	4,236	24.6
Construction, Installation and Solar Products	46,562	67.8	5,525	32.1
Zome Primer	1,178	1.7	1,074	6.2
Zometoys	566	.8	39	.2
Miscellaneous	770	1.1	770	4.5
Total	$ 68,685	100.0%	$ 17,222	100.0%

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR FISCAL YEARS ENDED OCTOBER 31, 1975 AND 1974
(UNAUDITED)

	1975	(RESTATED) 1974
SOURCES OF WORKING CAPITAL:		
Net income [loss]	$ [15,806]	[13,281]
Add amortization and depreciation which do not require the use of working capital	12,928	7,906
Total derived from operations	[2,878]	[5,375]
Disposition of equipment		359
Loans from officers		9,000
Sale of common stock		20,000
Other loans	2,122	
Total	[756]	23,984
USES OF WORKING CAPITAL:		
Additions to property accounts	1,174	1,203
Additions to deferred charges	12,839	15,545
Repayment of loan to officers	387	
Total	14,400	16,748
INCREASE [DECREASE] IN WORKING CAPITAL	[15,156]	7,236
CHANGES IN WORKING CAPITAL COMPONENTS:		
Increase [decrease] in current assets		
Cash	10,301	[1,691]
Accounts receivable	[2,279]	9,651
Inventory	[2,439]	[235]
Unbilled costs	3,822	
Other current assets	49	
Total	9,454	7,725
Decrease [increase] in current liabilities		
Notes payable	[11,063]	3,477
Accounts payable	[3,926]	[478]
Customer deposits	[200]	[200]
Accrued liabilities	[9,421]	[3,288]
Total	[24,610]	[489]
INCREASE [DECREASE] IN WORKING CAPITAL	[15,156]	7,236

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 1975 AND 1974
(UNAUDITED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES

ACCOUNTS RECEIVEABLE:

The company uses the direct write off method of recording bad debts. Since the company historically has not experienced any material bad debts, no provision has been made for uncollectable accounts.

INVENTORIES:

Inventories are valued at cost or market, whichever is lower. The first-in, first-out method is used to determine the costs of certain items.

PROPERTY ACCOUNTS:

The company has elected to use the straight-line method in computing depreciation. The useful lives range from 3 - 10 years.

RESEARCH AND DEVELOPMENT AND PATENT COSTS:

Starting in 1975 separate ledgers are being kept for each research and development project the company undertakes. Accordingly the company made some changes in the way it handles research and development costs. Research and development costs are still capitalized until a product reaches a promotional and marketable stage, at which time they are amortized over a period of five years. In addition those projects which are abandoned during the year are expensed (see Research and Development cost in the Statement of Income). Also any project that results in a patent is amortized over a seventeen year period.

In accordance with these changes the company transferred the research and development costs incurred on the skylid and beadwall patents from the solar research account to the patent account and began amortizing what remained in the solar research account over a five year period. This action resulted in substantially more amortization in 1975 than in 1974.

OTHER DIRECT COSTS:

In 1975 the company began to keep subledgers on individual jobs and products. Any overhead costs directly associated with a job or product were put into this account. Thus some overhead accounts such as telephone, travel and applied shop overhead are lower than they would be under the previous accounting system.